



CITY OF HOUSTON

Affirmative Action and Contract Compliance

Guidelines for the Certification of Socially & Economically Disadvantaged Individuals From Section 49 of the Code of Federal Regulations (49 CFR), Part 26

Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias within American society because of their identities as members of groups and without regard to their individual qualities.

The social disadvantage must stem from circumstances beyond their control. There is a rebuttable presumption that the following individuals are socially disadvantaged: Black Americans; Hispanic Americans; Native Americans and Asian Pacific Americans. Individuals not members of designated groups presumed to be socially disadvantaged must establish individual social disadvantage by a preponderance of the evidence.

Evidence of individual social disadvantage must include the following elements:

- (1) At least one objective distinguishing feature that has contributed to social disadvantage, such as race, ethnic origin, gender, physical handicap, long-term residence in an environment isolated from the mainstream of American society, or other similar causes not common to individuals who are not socially disadvantaged;
- (2) Personal experiences of substantial and chronic social disadvantage in American society, not in other countries; and
- (3) Negative impact on entry into or advancement in the business world because of the disadvantage. Any relevant evidence will be considered in assessing this element. In every case, however, education, employment, and business history will be considered, where applicable, to see if the totality of circumstances shows disadvantage in entering into or advancing in the business world.

Education Factors to consider such as denial of equal access to institutions of higher education, exclusion from social and professional association with students or teachers, denial of educational honors rightfully earned, and social patterns or pressures which discouraged the individual from pursuing a professional or business education.

Employment Factors to consider such as unequal treatment in hiring, promotions, and other aspects of professional advancement, pay and fringe benefits, and other terms and conditions of employment; retaliatory or discriminatory behavior by an employer; and social patterns or pressures which have channeled the individual into nonprofessional or non-business fields.

Business History Factors to consider such as unequal access to credit or capital, acquisition of credit or capital under commercially unfavorable circumstances, unequal treatment in opportunities for government contracts or other work, unequal treatment by potential customers and business associates, and exclusion from business or professional organizations.

Economically disadvantaged individuals are socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same or similar line of business who are not socially disadvantaged.

Each individual claiming economic disadvantage must describe it in a narrative statement, and must submit personal financial information. When married, an individual claiming economic disadvantage also must submit separate financial information for his or her spouse, unless the individual and the spouse are legally separated. In considering diminished capital and credit opportunities, factors relating to the personal financial condition of any individual claiming disadvantaged status, including personal income for the past two years will be examined.

For eligibility to the program, net worth must be less than \$750,000. In determining such net worth, the ownership interest in the business of the applicant or Participant and the equity in the primary personal residence (except any portion of such equity that is attributable to excessive withdrawals from the applicant or Participant) will be excluded. Exclusions for net worth purposes are not exclusions for asset valuation or access to capital and credit purposes.

These guidelines are followed by the Small Business Administration (SBA) and can be found at 13 CFR 124.103 and 13 CFR 124.104.

For more information, please call (713) 837-9000.